



CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99654-7091

COUNCIL MEMORANDUM NO. 95-46

From: Deputy Administrator
Date: June 7, 1995
Subject: ACQUISITION - MATANUSKA UTILITY COMPANY (MUC)

For many years the City has entertained the acquisition idea of Matanuska Utility Company (MUC), located within the Century Park subdivision, near the Senior Center located on Knik-Goose Bay Road.

Prior to water improvements being developed at the Senior Center (1984) negotiations took place to either purchase the system or arrange a bulk water sales agreement to provide water to the Center. The professional opinion of value for the land and plant facilities at that time was estimated at \$130,000. No agreements were concluded.

In anticipation of increased water demand by Center expansion in 1993 the City again approached MUC with a negotiating posture that, based upon an "enterprize value" opinion, the plant facilities alone (without the land valuation) were worth approximately \$48,000. An offer was tendered with no positive response.

In anticipation of a Century Park, Local Improvement District paving project moving forward this summer, the City once again made contact with MUC corporate management. The result was an offer from MUC to sell land and plant facilities for \$75,000.

The timely purchase of these plant facilities (existing water piping, well/pumphouse) along with the well/pumphouse property, and, with the timely installation of planned fire hydrants and additional key boxes prior to paving, will preserve the integrity of the proposed new street pavement as no pavement cuts will be needed for future service connects.

Our hydraulic analysis also tells us that by intertie connection to the City's existing water distribution system, adequate fire flow demands will then be met for, not only the commercial/residential development within the subdivision but, also for the existing and proposed expansion of the water systems at the Senior Center.

It is anticipated that any and all monies expended for acquisition and improvements of MUC will eventually be recuperated through PILA charges for the remaining 40 odd residential lots to hook up to the system, and from future expansion requests for water extension and hook ups. At such a time as the existing well is abandoned, the 2.15 acre parcel where the well and pumphouse are now located will generate additional revenue from sale of same.

Area Code (907)

Administration
Ph: 373-9055
Fx: 373-9085

Clerks Office
Ph: 373-9065
Fx: 373-9085

Finance
Ph: 373-9070
Fx: 373-9085

Library
Ph: 376-5913
Fx: 376-2347

Museum
Ph: 373-9071
Fx: 373-9072

Planning
Ph: 373-9074
Fx: 373-9085

Police
Ph: 373-9077
Fx: 373-9051

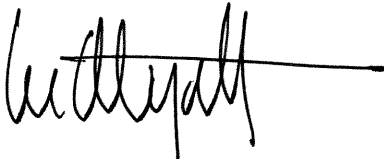
Public Works
Ph: 373-9095
Fx: 373-9085

Ph: _____
Fx: _____

Recommendation: (1) Council approval for Administration to proceed with the acquisition of the land and plant facilities, now held by MUC, in the amount of \$75,000, and,

Recommendation: (2) Council approval for Administration to proceed with water system and intertie improvements, as recommended in the attached Engineer's estimate/design, prior to the LID paving project (predicated upon successful system/land acquisition), and,

Recommendation: (3) Council approval of funding for the acquisition of MUC, and, ¹⁷⁵the water system and intertie improvements in the amount of \$~~205~~¹⁷⁵,000 as requested in Ordinance Serial No. 95-37, Wasilla FY96 Capital Projects List.



Lee A. Wyatt
Deputy Administrator

MATANUSKA UTILITY COMPANY

P. O. Box 91903
Anchorage, AK 99509-1903
(907) 276-6131

May 23, 1995

RECEIVED

MAY 23 1995

City of Wasilla, Alaska

Lee Wyatt
City of Wasilla
290 E. Herning Ave.
Wasilla, AK 99645-7091

RE: Matanuska Utility Co.

Dear Mr. Wyatt:

In response to your letter of March 27, concerning paving within the Century Park Subdivision, and the possibility of a sale of the utility to the City. After discussion with other stockholders in the corporation, there exists interest on our part to discuss a possible sale. As a prefatory remark, I would like to indicate that the estimate of value prepared by Dale Merrell is out of date. Since the time of that analysis, we have more customers and an increased cash flow. Additionally, I am informed that real property values in the Wasilla area have improved since the '90-'91 period Mr. Merrell relied upon.

However, rather than spend time discussing our disagreements with the old estimate, and rather than spend money obtaining our own appraisal, we would propose a negotiated transaction. To begin, the system was installed in the mid-'70s and consists of approximately 5600' of ductile iron distribution mains, all but 1100' of which is 8" and that smaller amount is 6". In addition to the distribution mains, the system consists of the well, pumphouse, customer base, and interest in property surrounding the wellhouse. Currently, there are no fire hydrants in the subdivision, but the system is designed to allow installation of fire protection to the subdivision, and has, I am informed, the capacity to provide protection to the immediately adjacent subdivisions. You can check with DEC, regarding the various tests and reports, to demonstrate that the system is fully functional and supplying clean safe drinking water.

The last time the we discussed possible sale, I believe I provided documentation of the assets of the system, but should you want additional information, please let me know. I have been authorized by a majority of the shareholders, in informal discussions, to propose a sale of the physical assets of the utility, and all interest in the PUC permit for the service area, together with the good will and general intangibles for the total price of Seventy Five Thousand Dollars (\$75,000.00).

Yours,



Ben Esch



CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99654-7091

COPY

Area Code (907)

Ben J. Esch
310 "K" Street
Anchorage, Alaska 99501

March 27, 1995

Administration
Ph: 373-9055
Fx: 373-9085

RE: LID PAVING PROJECT- CENTURY PARK SUBDIVISION - WASILLA

Clerks Office
Ph: 373-9065
Fx: 373-9085

Dear Mr. Esch:

Finance
Ph: 373-9070
Fx: 373-9085

At the petitioned request from residents within the Century Park Subdivision, the Wasilla City Council has approved the formation of a Local Improvement District (LID) for the express purpose of paving the local streets within the Century Park Subdivision.

Library
Ph: 376-5913
Fx: 376-2347

The City has engaged the services of Alaska Rim Engineering to survey, design, and provide construction management services for this project. For purposes of discussion we now have preliminary design documents, which are herein transmitted for your perusal.

Museum
Ph: 373-9071
Fx: 373-9072

Matanuska Utility Company (MUC), may have a vested interest in this project. MUC water mains, located in portions of the public right-of-way that will be paved, will become more costly to maintain and to connect future water services. We are unsure of the Council's direction in allowing paving cuts once paving is completed. MUC may wish to coordinate with the City and its engineer for the placement of service stubs to the remaining 40 (?) lots prior to paving. Installation of proposed fire hydrant stubs may now be appropriate.

Planning
Ph: 373-9074
Fx: 373-9085

Police
Ph: 373-9077
Fx: 373-9051

Public Works
Ph: 373-9095
Fx: 373-9085

In lieu of the above, it is our understanding that there have been some changes in the MUC assets schedule, and as an alternative to the above described scenario and its time frame, the City is again interested in opening discussions regarding MUC purchase options.

Ph: _____
Fx: _____

Upon reviewing our files, we note in your April 12, 1993 response to a previous City offer to purchase the water system, that you were not afforded the opportunity to review the supporting documentation addressing the system's "worth" and the validity of the assessment report as presented by A.S.C.G. For your interest we are forwarding a copy of that report with this correspondence.

If you wish to open discussions concerning either of the above opportunities, please do not hesitate to contact us at your earliest convenience.

Sincerely,

Lee A. Wyatt, Deputy Administrator/Public Works Director
City of Wasilla

xc: John C. Stein, Mayor

APR-12-93 MON 13:32 GARRETSON&ESCH P. 81

JD

GARRETSON & ESCH

ATTORNEYS AT LAW

310 K STREET
SUITE 708
ANCHORAGE, ALASKA 99501

Walter H. Garretson
Ben J. Esch

(907) 276-8131
(Fax) 276-8582

April 12, 1993

John C. Stein, Mayor
City of Wasilla
290 E. Henning Dr.
Wasilla, AK 99654-9050

RECEIVED

APR 12 1993

City of Wasilla, Alaska

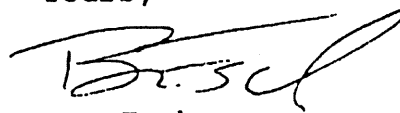
RE: Matanuska Utility Co.

Dear Mayor Stein:

I have discussed the matter with other shareholders of the company, and it is their decision that a sale in the range of \$45,000.00 is unacceptable. The single lot, which comprises the majority of the well site, has an assessed value of almost that amount. Further, as you know, the system is functioning, and, if your analysis is correct, the corporation is receiving a gross return of about 20% on its assets. This is ridiculous for anyone to actually believe the system is only "worth" this amount. Your fax did not include the supporting information from A.S.C.G., and so I cannot comment on the validity of their assessment. I am aware, however, that Mr. Merrell has opined in the past, that the system is of little or no value. Whether this is a continuation of that position, I cannot say.

As an alternative, the company would be willing to consider entering into a bulk water sale agreement with the city, under which we would extend our lines to the senior citizen housing development, and provide the development with all necessary water. This would not be without considerable expense to the company, but we would be willing to consider such an agreement. We look forward to your response.

Yours,



Ben Esch

be/tlw



CITY OF WASILLA
290 E. HERNING AVE.
WASILLA, ALASKA 99654-7091
PHONE: (907) 373-9050
FAX: (907) 373-9085

*Sandy -
File
Century Park water*

April 13, 1993

**Mr. Ben J. Esch
Garretson & Esch
310 "K" Street, Suite 708
Anchorage, Alaska 99501**

Dear Mr. Esch:

Your offer for sale of the Matanuska Utility Company water system was discussed at the City Council meeting last evening. Having to rely on the professional advice of our consultants (ridiculous as you may consider it) and the recommendation of our Public Works Department, the City's interest in the purchase remains in the \$45,000 range. The Council had no interest in a bulk water agreement with M.U.C.

Given its earlier authority, the Public Works Department is proceeding with the City well upgrade project to serve the senior citizen's housing development.

For the time being, this concludes our consideration of the M.U.C. system purchase. Thank you and Mr. Thompson for your information and assistance.

Sincerely,

**John C. Stein, Mayor
City of Wasilla**

cc: **Wasilla City Council
Wasilla Planning and Utilities Commission
Mr. Bob Harris**

Bushnell & McMahon
Certified Public Accountants

(907) 376-4195
P.O. Box 871684
Wasilla, Alaska 99687

Willet R. Bushnell
Ida M. McMahon

April 12, 1993

Mayor John Stein
City of Wasilla
290 E. Herning
Wasilla, AK 99654

RECEIVED

APR 12 1993

City of Wasilla, Alaska

Dear Mayor Stein,

You have asked us to comment on the value of Matanuska Utility Company (MUC). Our work involved discussions with Mayor Stein, examining the documents submitted by ASCG and conversations with Dale Merrell of ASCG and Ben Esch of Matanuska Utility Company.

Based on the discussion with Mayor Stein, any acquisition would be of the physical plant and land only. The City would not acquire the corporate stock of MUC nor assume any liabilities. We were also presented with estimates of costs regarding the extension of the City system. Our response does not include a comparison of the two alternatives of providing water to the Senior Citizens Center Complex. This has not been done since there was some indication that DEC may require extension of the City water system to the Senior Center within three years.

Our discussions indicated that financial data used by Mr. Merrell was from MUC's income tax returns. Mr. Esch indicated that the returns are filed on a cash basis. Further discussion with Mr. Esch indicated that a conversion to accrual accounting would result in insignificant changes in working capital and net income from operations. Billings for customers are done in arrears, that is, December service is billed in January. Receivables are typically no more than 30 days old. Accounts payable are generally limited to the electrical services. Based on discussions with Mr. Esch and Mr. Merrell, we did not believe that it would be cost effective to examine the accounting records in order to provide accrual accounting data. Mr. Esch indicated that there are currently 18 residential and 3 commercial customers. Rates have not been changed since the tariff's were approved by the APUC in 1980, except for the regulatory cost charge of .6% and sales tax of 2%. Both of these are pass through charges and generate no additional earnings.

Mr. Merrell presented two approaches to the value of MUC, the value of assets method (utility plant value) and the net present value method. Since one method excludes earning capacity and the other excludes value of assets, we believe that a method that combines both methods can provide a more realistic value. This is referred to as the enterprise valuation. In valuing an enterprise, consideration is given to the value of plant and property and intangibles which includes future earning capacity.


Operating income has been adjusted for depreciation, and we have used Mr. Merrell's estimate of property value . The equation would work as follows:

| | |
|----------------------|-----------------|
| Property value | \$44,060 |
| Net operating income | <u>3,601</u> |
| Enterprise value | <u>\$47,661</u> |

The above accounting data was compiled by us from information submitted from various parties. We have not audited or reviewed the accompanying financial data and, accordingly, do not express an opinion or any other form of assurance on it.

Respectfully submitted,

BUSHNELL & MCMAHON, CPA'S



Ida M. McMahon, CPA
Partner



CITY OF WASILLA

290 E. HERNING AVE.

WASILLA, ALASKA 99654-7091

PHONE: (907) 373-9050

FAX: (907) 373-9085

INFORMATION MEMORANDUM NO. 93-13

From: Deputy Administrator

Date: March 16, 1993

Subject: Possible purchase of Matanuska Utility Company

Estimated costs associated with construction of New Water Supply to serve Senior Citizens Center, ASHA Housing and New Senior Citizens Housing project; and for possible purchase of Matanuska Utility Corporation (M.U.C.) and connecting to City Water Utility.

1. Estimated cost to drill new well, construct storage tank and well house: \$90,000
Advantage : initial cost
Disadvantage: No expansion capability
No Fire flow
Less reliable long term
More maintenance (separate system).
2. Estimate cost to purchase M.U.C. _____?
3. Estimated cost to extend 8" main to end of cul-de-sac, connect Senior Center, A.S.H.A., install fire hydrant. \$70,000.
4. Estimated cost to extend Southside Water main to M.U.C. well house, connect City System: \$85,000. (*Without BOOSTER STATION*)
5. 1976 cost to construct M.U.C. system: \$166,864.
6. Estimated 1993 cost to construct M.U.C. system \$515,000 (5100 feet main lines, well, pumps, etc.)

Robert E. Harris
Deputy Administrator

BESSE, EPPS & POTTS

November 15, 1984

Richard K. DeCamp, Mayor
City of Wasilla
Post Office Box 430
Wasilla, AK 99687

Re: MUC Evaluation

Dear Mayor,

We have completed our system evaluation on the Matanuska Utility's water system. That evaluation is included herein. It is our opinion that the water system is worth no more than \$130,000. This includes 2.87 acres of land, including the well site, or a net of 2.15 acres. The water system itself, without the land, is worth approximately \$15,000. There are several issues which are in conflict among the owners, such as how much land is owned by the utility and thus, how much land would be sold. Also, we cannot tell who has paid assessments and who has not. All financial information is unaudited and very minimal. The appraisal assumes that the well site and the excess land would be sold as part of a stock purchase.

Source of Supply

Well:

The well is a 61 foot deep, 6 inch diameter steel cased shaft with 10 feet of 60 slot stainless steel screen. We performed a well test, both quantity and quality on October 23, 1984. The test results are attached. In summary, the well should produce 75 gpm and sustain that yield for at least 4 hours. The pump test we ran was at 63.8 gallons per minute with very little drawdown. This flow rate is not sufficient to meet peak demand (at the 63.8 gpm rate). At 75 gpm it does meet peak demand requirements. The well does meet the present domestic flow needs, however, it does not meet fire protection needs for the area, which is 500 gpm for 4 hours.

A water quality (bacteriological only) test was taken on October 23, 1984. This test turned out positive. The water system owner was notified and another test was to be taken. I do not believe the results of the test taken to be representative of any permanent problem. In fact, a bad sample bottle is more than likely the problem.

ENGINEERING, PLANNING, SURVEYING

2220 E. 88th Ave. / Anchorage, Alaska 99507 / Telephone 907-349-6451 / 344-1352

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The cost of the well (drilling cost) was \$3,070.00. The well house is a 12' x 16' wood frame structure. It is in good repair. The well system consists of a 7.5 hp Meyers submersible pump. The pump is apparently set at the top of screen level, or at 51' depth. Apparently, the well pump was originally a 5 hp submersible. The well pumps into two 315 gallon pneumatic tanks. These two tanks provide the only storage available.

Conclusion:

The well system works well and meets the existing system domestic water needs. However, it should not be expanded beyond the existing subdivision boundaries without upgrading the well and providing storage to meet peak day. As the well system relates to the City of Wasilla system, it would help to a small degree, to provide additional source of supply, especially to the south side of the system.

The Distribution System

The Century Park distribution system consists of 5099 l.f. of 8 inch and 6 inch diameter ductile iron pipe. 3507 l.f. of the total is 8 inch diameter ductile iron. Most of the 6 inch ductile iron pipe is in the two cul-de-sacs and along the south and east sides of the subdivision. The as-builts indicate that the system was installed 10 feet deep and in accordance with Municipality of Anchorage Standard Specifications. This is not quite correct, because valve spacing is not what the MOA Specifications call for, nor were fire hydrants placed into the design.

As far as the water main, taken alone, the distribution system appears adequate. The system is looped and valves are properly placed at the intersection, however, a minimum of two, possibly three valves are needed. In discussions with the owners, there does not appear to have been problems with the system. We are not sure how many customers actually have service, although indications are that there are 16 customers hooked up to the system out of a possible 52 residential customers and 12 commercial customers. The revenue recieved does not come close to meeting expenses. In fact, in 1983 the system shows a \$9,558.00 deficit. We did learn that the fire hydrant legs have been installed, however, we were not able to locate them.

Financial Evaluation

The water system was installed in 1976 at a cost of \$166,864. Other than replacements (pump failure) no other asset additions are indicated. Assuming no contribution in aid of construction, the utility plant net value would be \$115,895 as of December 31, 1983. However, utility financial records indicate \$146,300 was received as assessments or other contribution in aid. Using standard regulated utility accounting practice, this nets out at a plant value (12/31/83) of \$20,564 less depreciation accumulated since 12/31/83. The utility would be worth approximately \$15,000 assuming only the mains, well and well site (200 foot diameter protective radius) would be sold. However, there is actually 2.87 acres of land including the well site, for sale with the utility. Removing the well site, approximately 2.15 acres remain. This property is non-utility property and is worth, on the open market, \$1.25 to \$1.50 per square foot, which equals a low of \$117,000 to a high of \$140,500.

Thus, it would appear that the utility is worth (with the non-utility plant) approximately \$150,000. Without the additional property, the utility is worth approximately \$15,000. This figure is plus or minus \$1,000.

There are contingent problems or costs with purchasing this utility. They are as follows:

1. Purchase without intertie will more than likely be a negative influence on the City's fire rating.

2. Costs to intertie are significant:

| | | |
|-----------------------------|---|---------------------|
| Fire Hydrants Cost Estimate | = | \$ 7,500.00 |
| Intertie Cost Estimate | = | <u>\$150,000.00</u> |

| | | |
|--------------|---|--------------|
| Upgrade Cost | = | \$157,500.00 |
|--------------|---|--------------|

3. Storage for fire protection is needed or will be needed in the near future. This cost will approach \$200,000 for 500,000 gallons of storage. However, all this cost cannot be placed upon Century Park. A rough estimate would be that \$50,000 of the cost would be allocated to Century Park.

Richard K. DeCamp, Mayor
November 15, 1984
Page Four

Conclusion:

It is my recommendation that, prior to pursuing this purchase, the City seek to obtain grant funding, as did Anchorage, for the Eagle River system and the Central Alaska Utilities system, for the purchase and intertie. The land with the utility would be purchased if a stock sale were transacted. The land is marketable with sewer and water available.

It is my recommendation that the system purchase be pursued, with grant or appropriation money, at a price not to exceed \$130,000. This will be reduced somewhat by future assessments received from the tract of land the well site occupies, plus sale of the land further reduces the cost.

Again, purchase should be contingent upon state funding for the utility and the intertie costs, otherwise, purchase should not be pursued.

Sincerely,



Dale R. Merrell, P.E.
Partner

DRM/lbs

Attachments: As-Builts
Test Results